

PX 99

From: [REDACTED]@ripple.com>
 To: Brad Garlinghouse; Patrick Griffin; Monica Long; [REDACTED] Asheesh Birla;
 Antoinette O'Gorman; [REDACTED] Miguel Vias; [REDACTED]
 CC: [REDACTED]
 Sent: 3/27/2017 12:10:45 PM
 Subject: Follow-up to XRP Escrow Meeting

Hi Everyone,

Thank you for taking the time today to meet.

To recap, our goal for the meeting was to come to an agreement that:

1. there is a problem with market uncertainty regarding Ripple's XRP holdings
2. there is a solution to create more certainty around Ripple's XRP holdings

Here are the draft requirements, slides and below is the agenda we covered, with notes:

- Review problem with market uncertainty regarding Ripple's XRP holdings
 - Banks, Exchanges, Regulators & Investors have all raised concern
 - Some at Ripple question how big the problem is
 - Reason for no action to date, is that there hasn't been a buttoned-up solution yet
 - **General agreement on Ripple team that there is a problem**
- Review proposed solution to create more certainty around Ripple's XRP holdings
 - Reset messaging on Ripple XRP supply in Quarterly Report
 - "XRP has a fixed supply of 100B..."
 - "XRP is destroyed at a rate of..."
 - "Ripple will never create more XRP because..."
 - "The 62B XRP consists of..."
 - Lock-up company XRP using Escrow, a feature on RCL that allows a user to "lock-up" an amount of XRP with an expiration date
 - Create 60 Escrow transactions of 1 Billion XRP each, with staggered expiration dates (month 1, month 2,... month 60)
 - Create 1 new Escrow transaction at the beginning of every month, for an amount equal to the unused amount of XRP from the previous month, and set an expiration date 1 month after the last month (month 61, month 62,...)
 - Only sell the allocated amount of XRP available during the given 1 month window
 - **General agreement on Ripple team that this is a viable solution**
- Next Steps
 - @Monica [REDACTED] @Miguel [REDACTED] to start working on messaging for announcement in Q2 Quarterly Report
 - @Patrick, @Miguel, [REDACTED] to get specific amounts of XRP to lock-up on a monthly cadence
 - [REDACTED] @Antoinette to meet today at 12:30 to review Escrow feature
 - [REDACTED] @David S to begin testing Escrow transactions on live network beginning 3/31

I will work with [REDACTED] to find time on everyone's calendars later this week to follow-up on next steps.

Looking forward to getting this done!

[REDACTED]
Product Manager, RCL / XRP | [Ripple](#)
[REDACTED]



Read: [RCL Can Sustain 1,000 Transactions Per Second](#)

Latest RCL Releases: [XRP Cryptographic Escrow & XRP Payment Channels](#)

XRP Escrow

Using XRP Escrow for Corporate Treasury Management

Introduction

Problem

There is market pressure from prospective institutional and speculative investors in XRP, for Ripple (the company) to be more transparent in how it manages its current XRP supply. Asking the market to “trust us” with how we manage company XRP has not proven to be effective in managing the market perception that Ripple can sell large portions of XRP into the market, especially during bull runs.

The goal of this document is to come up with a solution to the perceived problem of Ripple’s lack of public transparency with regard to its company XRP holdings.

One initiative that is being proposed is to use the recently released *Escrow* feature on RCL, to lock up some portion(s) of company XRP for a set period of time with an expiration date.

Value Proposition

1. Using the proposed Escrow mechanism would give investors enough confidence that Ripple will not sell large portions of XRP into the market, especially during bull runs, thus creating more certainty in XRP supply
2. Using the proposed Escrow mechanism could serve as an example for introducing similar “lock ups” for founders, investors, and partners holding XRP, thereby creating more natural speculators.

These functions would help to improve the overall perception around Ripple’s XRP supply.

Implementation

For the purposes of this document, we will focus on the use case of Ripple “locking up” its own XRP.

Below is a few proposed transaction group sets to consider, although multiple variations of transaction size and amount can be considered:

Proposed Monthly Transaction Group

Ripple will:

- Create 60 Escrow transactions of 1 Billion XRP each, with staggered expiration dates (month 1, month 2,... month 60)
- Create 1 new Escrow transaction at the beginning of every month, for an amount equal to the unused amount of XRP from the previous month, and set an expiration date 1 month after the last month (month 61, month 62,...)
- Only sell the allocated amount of XRP available during the given 1 month window

Ripple may:

- Explore selling forward, future “unlocked” XRP to meet certain cash constraints, in dire situations

Ripple will not:

- “Roll over” unused XRP from the previous month to sell in any new quarter

Example Flow of Funds

1. Use Ripple Admin Console to move 1 billion XRP from cold wallet to warm wallet
2. Use command line to `EscrowCreate` 1 billion XRP from warm wallet using the following fields:
 - a. Amount 1000000000.000000
 - b. Destination (same account as sending account)
 - c.

Example Code

```
{
  "source": {
    "address": "r9cZA1mLK5R5Am25ArfXFmqgNwjZgnfk59",
    "maxAmount": {
      "value": "10000000.000000",
      "currency": "XRP",
      "counterparty": "rMH4UxPrbuMa1spCBR98hLLyNJp4d8p4tM"
    }
  },
  "destination": {
    "address": "rpZc4mVfWUif9CRoHRKKcmhu1nx2xktxBo",
    "amount": {
      "value": "10000000.000000",
      "currency": "XRP",
```

```
    "counterparty": "rMH4UxPrbuMa1spCBR98hLLyNJp4d8p4tM"  
  },  
  "allowCancelAfter": "2022-03-30T23:59:00.000Z"  
}
```




XRP Allocation

A Proposal to Lock-Up Company XRP



Agenda

- 01 Overview of Problem
- 02 Proposed Solution
- 03 Discussion

Goal: Reach agreement on problem & solution



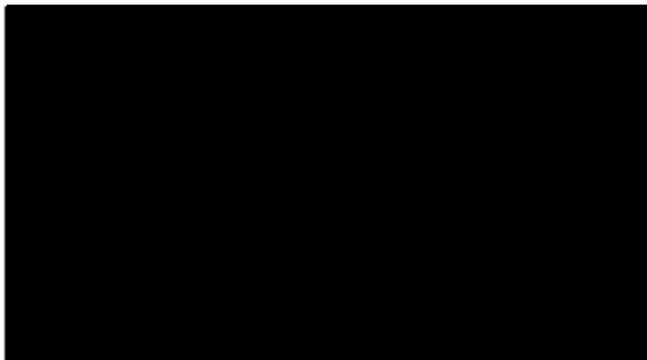
Ripple's lack of transparency w/ XRP distribution
has been flagged as a limiting factor by:

- **Banks**

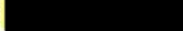


"Supply question is biggest enabler for bank adoption...

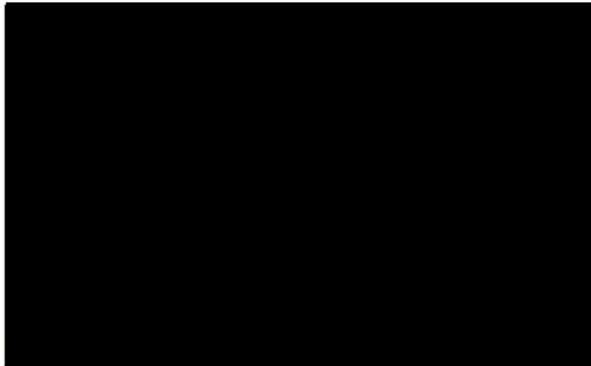
...No bank can go into production
when Ripple holds 65% **with no lockups.**"



Group Product Manager—
(works with



Ripple's holdings of XRP is a possible area for further exploration in successive project phases (with bank participant input).



 
Project Manager, 



Ripple's lack of transparency w/ XRP distribution
has been flagged as a limiting factor by:

- Banks
- **Digital Asset Exchanges**



Digital Asset Exchanges

"If Ripple **locked up** some of its XRP holdings, then the market would likely respond favorably."

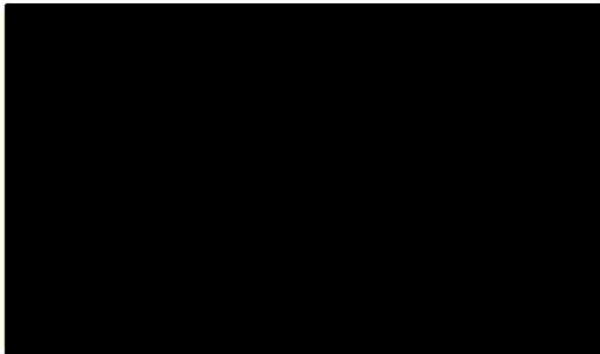


[Redacted]
Co-founder & CEO
[Redacted]



"We are worried about XRP supply..."

"...What keeps Ripple from selling XRP into bull runs?"



[Redacted]

Co-founder & CEO

[Redacted]



Ripple's lack of transparency w/ XRP distribution
has been flagged as a limiting factor by:

- Banks
- Digital Asset Exchanges
- **Regulators**



Regulators

Requesting disclosure and audited monitoring
practices of major XRP holding accounts

(to prevent market manipulation)



Luxembourg regulator
(related to Bitstamp XRP listing)



Regulators

XRP overhang and perception of 'issuance' by
Ripple makes participants view XRP as more like
a stock than a commodity or currency.



Japan regulator
(related to [REDACTED] XRP listing)



Ripple's lack of transparency w/ XRP distribution
has been flagged as a limiting factor by:

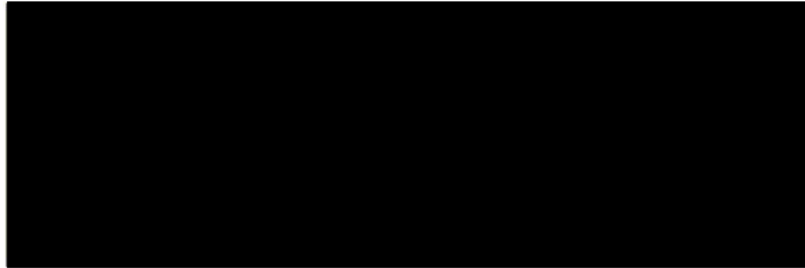
- Banks
- Digital Asset Exchanges
- Regulators
- **Investors, Traders & Speculators**



Investors, Traders & Speculators

“Can you **lock up** some of Ripple’s XRP?”

(5 questions related to XRP supply)



[Redacted]
Co-founder & CEO — [Redacted]
[Redacted]



Do we have a *problem*?



Increase transparency around Ripple's XRP holdings:

1. Reset our messaging on XRP supply



Increase transparency around Ripple's XRP holdings:

1. Reset our messaging on XRP supply

- a. "XRP has a fixed supply of 100B..."
- b. "XRP is destroyed at a rate of..."
- c. "Ripple will never create more XRP because of..."
- d. "The 62B XRP consists of..."



Increase transparency around Ripple's XRP holdings:

1. Reset our messaging on XRP supply

1. Lock-up Company XRP using Escrow



Escrow is a feature on RCL that allows a user to “lock-up” an amount of XRP with an expiration date.



Proposed Schedule for XRP Escrow Lock-up

Create 20 Escrow transactions of 2.75 Billion XRP each
with staggered expiration dates (month 3, month 6,... month 63)

Option 1:
Quarterly

55B XRP	Month 3	Month 6	Month 9
20 Transactions 2.75 Billion each			
Float			



Proposed Schedule for XRP Escrow Lock-up

Create 20 Escrow transactions of 2.75 Billion XRP each
with staggered expiration dates (month 3, month 6,... month 63)

Option 1:
Quarterly

55B XRP	Month 3	Month 6	Month 9
20 Transactions 2.75 Billion each	52.25 Billion		
Float	2.75 Billion		



Proposed Schedule for XRP Escrow Lock-up

Create 20 Escrow transactions of 2.75 Billion XRP each
with staggered expiration dates (month 3, month 6,... month 63)

Option 1:
Quarterly

55B XRP	Month 3	Month 6	Month 9	Month 63
20 Transactions 2.75 Billion each	52.25 Billion	52.00 Billion		TBD
Float	2.75 Billion	2.75 Billion		2.50 Billion



2.50 Billion (unspent)
New Escrow Transaction
Expires Last Month



Proposed Schedule for XRP Escrow Lock-up

Create 60 Escrow transactions of 0.92 Billion XRP each
with staggered expiration dates (month 1, month 2,... month 60)

Option 2:
Monthly

55B XRP	Month 1	Month 2	Month 3
60 Transactions 0.92 Billion each			
Float			



Proposed Schedule for XRP Escrow Lock-up

Create 60 Escrow transactions of 0.92 Billion XRP each
with staggered expiration dates (month 1, month 2,... month 60)

Option 2:
Monthly

55B XRP	Month 1	Month 2	Month 3
60 Transactions 0.92 Billion each	54.08 Billion		
Float	0.92 Billion		



Proposed Schedule for XRP Escrow Lock-up

Create 60 Escrow transactions of 0.92 Billion XRP each
with staggered expiration dates (month 1, month 2,... month 60)

Option 2:
Monthly

55B XRP	Month 1	Month 2	Month 3	Month 61
60 Transactions 0.92 Billion each	54.08 Billion	53.41 Billion		TBD
Float	0.92 Billion	0.92 Billion		0.67 Billion



0.67 Billion (unspent)
New Escrow Transaction
Expires Last Month



Increase transparency around Ripple's XRP holdings:

1. Reset our messaging on XRP supply
1. Lock-up Company XRP using Escrow
- 1. Encourage founders, large holders to lock-up w/ Escrow**



Do we have a *solution*?



Thoughts, Questions, Concerns?



Appendix



5-year XRP Sales Plan — Context

- 2-Year Forecast ([REDACTED] XRP)
- Worst case selling [REDACTED] over the next 5 years
- [REDACTED] XRP available after 'committed' XRP



Available XRP for Allocation

62.60B XRP held by Ripple less commitments

	Advisors/ Employee	Liquidity Providers		OTC Sales	Expected Bot Sales	TOTAL
Total Commitments*						6.7B

Available XRP after commitments: 55.9B

*not accounted for in 'distributed' XRP



Overview

- Rationale for publishing an allocation
- XRP available for allocation
- Reference benchmarks for allocation
- Statement language
- Proposed schedule
- Process for approvals and exceptions

Objective: Agree to XRP allocation and publication of it on XRP portal



Rationale

For providing allocation within a timeframe

- Committed to public XRP allocation as part of deal

“Ripple will develop and make publicly available a schedule for the future release of XRP held by Ripple with the intention to create transparency with respect to the future supply of new XRP.”



Reference benchmarks for target holdings at Ripple

- Satoshi's BTC: 4.8% of total created.
- Vitalik's ETH: Unclear. ~20% is not distributed.
- OPEC proven oil reserves: 80% of total.
- De Beers' rough diamonds: 33% of total in 2013 (90% in 1980's).



Statement Language

*Ripple commits to release XRP into the market via business development deals, incentives, and sales. Given Ripple's current holdings of 64.56B, it plans to release 14.56B XRP into the market in the next 5 year(s).**

**This allocation schedule is indicative and discretionary, but Ripple will communicate changes to the market in advance if they are made.*



Proposed schedules for XRP distribution

Public-facing release: 2 options

		Ripple	New Distribution	Committed
Option 1: Target Amount in 1Y	2% target inflation	56.2B	709M	7.7B
	4% max inflation	55.5B	1.4B	7.7B
Option 2: Target Amount in 5Y	2% target inflation	53.2B	3.7B	7.7B
	4% max inflation	49.2B	7.7B	7.7B



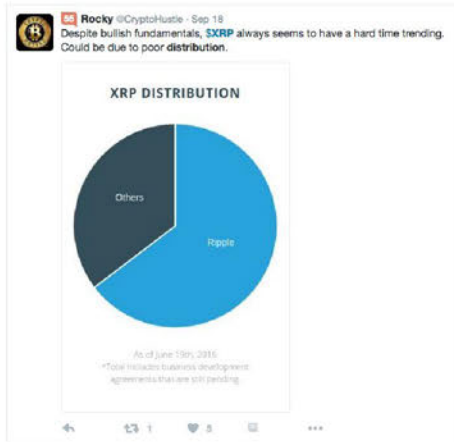
Process for Approvals and Exceptions

Approval group for initial framework and material exceptions after approval:

- Chris
- Brad
- Patrick
- Monica
- [REDACTED]
- [REDACTED]



XRP Community: Traders & Investors



Twitter 9/18

- **XRPchat 10/21:** "Problem with XRP seems to be the old one - massive oversupply...I've said this before and i think it's more true than ever: the only real weakness of XRP is the distribution model. The overwhelming majority of XRP is in possession of very few individuals and one entity. If you guys want 1000% rises in a short period of time you should probably get a crypto with more scarcity."
- **XRPchat 9/30:** "I think the actual number of XRP available is far less than people imagine." — due to speculation on BD deals and employee holdings
- **XRPchat 8/15:** "One question is are they holding 50 billion forever or will they continue to distribute after?"
- **XRPchat 8/15:** "This can be taken either way. It is still too vague!...Translation: We might change our minds." — regarding distribution update to XRP portal



Notes Summary:

Slide 19: 'XRP inflation rate in mkt = Ripple distribution + Other major holders' sales (Jed 0.5% to 1.5%, R3)'

Slide 20: 'XRP inflation rate in mkt = Ripple distribution + Other major holders' sales (Jed 0.5% to 1.5%, R3)'

Slide 21: 'XRP inflation rate in mkt = Ripple distribution + Other major holders' sales (Jed 0.5% to 1.5%, R3)'

Slide 22: 'XRP inflation rate in mkt = Ripple distribution + Other major holders' sales (Jed 0.5% to 1.5%, R3)'

Slide 23: 'XRP inflation rate in mkt = Ripple distribution + Other major holders' sales (Jed 0.5% to 1.5%, R3)'

Slide 24: 'XRP inflation rate in mkt = Ripple distribution + Other major holders' sales (Jed 0.5% to 1.5%, R3)'

Slide 30: 'OTC sales and distributed OTC sales are being custodied by Ripple.'

Slide 35: 'XRP inflation rate in mkt = Ripple distribution + Other major holders' sales (Jed 0.5% to 1.5%, R3)'